



Te Poari Tautoko I Nga Rohe Ki Te Raki

Northern DHB Support Agency Ltd

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Auckland Regional Community Pathology Services Request for Proposals (RFP) Discussion Document

Intention of this document

The intention in releasing this document to a range of individuals and organisations is to seek feedback prior to embarking on a formal RFP process for the selection of a strategic partner(s) for the provision of community pathology services from 1st July 2007. Appendix 1 details the proposed timetable for the RFP.

Whilst this is not intended to be an exclusive document we hope it identifies key issues that are important to our DHBs with regard to their required community laboratory services.

We look forward to your feedback.

Regional Pathology Vision

- A high quality pathology service that provides services in a timely, effective and efficient manner across the complete spectrum of community and hospital care.
- Focus on appropriate ordering of tests (demand management), efficient registration and transport together with processing capacity that is matched to the required test volume.
- Priority for a high performing system that is at the lowest possible cost consistent with the desired quality of service provision.
- Community and DHB hospital laboratory providers will work in close partnership sharing all cost information and implementing the optimum service configuration in order to maximise value for money in the sector.

Background

In July 2005, the Waitemata, Auckland and Counties Manukau DHBs ('metro-Auckland DHBs') agreed an extension of the Community Laboratory Contract with the current provider through to 30 June 2007. We are now developing an RFP for a long term strategic partner(s) to work collaboratively with us to realise the vision stated above.



Coverage of the RFP

The scope of the service required will be collection, transport and testing of the current community service mix together with collection of non-schedule community tests.

Appendix 2 gives the volume of community tests, funded by the three DHBs, and paid through HealthPac for the last three years.

Whilst this RFP is primarily for community pathology services we are also open to proposals that cover those current hospital services that may be more efficiently provided in a community setting or vice-versa.

It is our preliminary belief that the metro-Auckland DHBs are able to realise the above vision from a significantly lower overall cost base, allowing monies released to be reinvested in additional healthcare for the resident population. Without being doctrinaire, we favour proposals that breakout the pathology chain into the following elements of:

- a) Specimen collection.
- b) Specimen registration.
- c) Specimen transport.
- d) Specimen processing, i.e. testing
- e) Reporting of results and clinical feedback.

We wish to optimise the cost of processing by capturing the efficiency of large volume processing of appropriate tests at one or more facilities through use of high volume auto analysers and the efficient use of staff resource.

We are seeking a long term strategic partner with whom we can work collaboratively on provision of the full scope of community tests. However, we are also open to proposals that cover only part of the community tests.

Financial

As we are seeking a long term strategic partner(s) with whom to work to achieve our vision of a high quality, cost effective service, we wish to have an open, collaborative relationship in which:

- a) The partners have a common shared vision.
- b) All costs and prices of the component services are shared between the collaborating partners. Cost information will be shared directly between the strategic partners and not through an independent third party.
- c) Cost information would need to be at a level that would enable the calculation of "fully absorbed" average and marginal test costs. This would be required for the DHBs, working with their strategic partner(s), to determine the most efficient service configuration.
- d) The DHBs do not currently have information on the costs of the individual components in the pathology chain for community testing, eg specimen collection, registration, transport and processing. We would welcome proposals that piloted "total system" opportunities. Providers are encouraged to propose a forward path that would lead to new service configurations that maximise overall system efficiency, i.e. some community tests may be better processed in DHB hospitals and likewise it may be more efficient for some hospital tests (ie those with longer turnaround times) to be carried out in community

laboratories. Both community and DHB hospital laboratory capacity should be appropriate for efficient processing of test volume.

- e) In order to ensure comprehensive coverage and access we would encourage providers to provide a suite of priced proposals that included:
 - (i) Current community laboratory service provision.
 - (ii) The more innovative solutions envisaged above.
 - (iii) Where providers are proposing only part or a segment of the community service we would desire comment on how the remaining service might be provided and how the appropriate services are linked.

Private Pathology

Currently all pathology testing, whether it is generated in private or public settings, is paid by DHBs. This situation is an historical anomaly, and can be contrasted with radiology where privately referred investigations are paid by the patient or insurance company. We are aware that some other DHBs have proposed in their recent draft RFP to not pay for any privately referred laboratory tests. It is our preliminary view that we would not pay for private hospital inpatient generated pathology but we would continue to pay initially for private outpatient pathology. We would reserve the right however to investigate the private pathology issue over the next year, carry out appropriate consultation on the issue, and move to excluding all privately referred pathology within the term of the contract if it was deemed (by the DHBs) to be appropriate.

Demand Management

The evaluation committee will give specific weight to proposals that outline a strategy to optimise demand, ie ensure appropriate test ordering. It is expected that close collaboration will be required with primary care practitioners and their PHOs.

The community laboratory contract covers the collection of specimens for both schedule tests and non-schedule tests. Demand management strategies should also cover ways of capping or limiting growth in non-schedule tests ordered in the community.

Price

We are seeking a price (GST exclusive) for each of the next 5 years for each service coverage segment outlined in the service specifications (Appendix 3). Providers are free to propose a total fixed price or a price-volume method using the current schedule of community tests together with any risk share methodology.

Proposed contract term

Term: 5 years as a minimum
Start date: 1 July 2007

Proposed Evaluation Criteria

Mandatory Requirements

Meets Requirement

- | | |
|--|----------|
| 1. Demonstrated ability to provide laboratory services of good quality. | Yes / No |
| 2. Demonstrated ability to meet IANZ accreditation, or has an acceptable plan to meet IANZ accreditation within 2 years. | Yes / No |

Mandatory and Measured Requirements

Meets Requirements Weighting

- | | | |
|--|----------|-----|
| 3. Value for money with emphasis on price. | Yes / No | 50% |
| 4. Capability and experience, ability to meet RFP requirements, proposals to maximise efficiency of the laboratory sector. | Yes / No | 15% |
| 5. Collaborative relationships and demand management. | Yes / No | 15% |
| 6. Information systems, technical, meeting agreed turn around times. | Yes / No | 10% |
| 7. Viability including assessment of sustainability of provider's proposal. | Yes / No | 10% |

NB: All elements are mandatory. Having met the requirements, price is the overriding consideration.

Feedback Process

Submission commenting on these draft service specifications can be sent to:

*Laboratory Project
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PO Box 112147
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Email: labproject@ndsa.co.nz

Submissions must be received no later than 5.00pm, 14 January 2006